



Uses of EUROMOD for policy support by the Joint Research Centre (Oct 2020-Oct 2021)

Ana Agúndez García

EUROMOD Annual Meeting 2021

Outline

- i. Support to EC new policy initiatives
- ii. Thematic studies: main policy uses
- iii. Country-specific analyses

i. Support to EC new policy initiatives

To support EC priorities:

An economy that works for people

European Green Deal

Priority: *An economy that works for people*

I. Adequate minimum wages in the European Union (DG EMPL)

Simulations of hypothetical MW as % of (average or median) wages to support the IA (Oct 2020)

Key messages:

- Tax-benefit systems should be taken into account when setting and updating MW
- Scenarios of increased MW: reduce in-work poverty & inequality, support gender equality & improve public budgets

II. Equal pay for equal work or work of equal value between men and women via pay transparency and enforcement mechanisms (DG JUST)

Impacts of narrowing the GPG to support the IA (March 2021)

Key messages: closing the GPG as a result of pay transparency measures reduces inequality and poverty risks in many MS and improves public budgets

Priority: *European Green Deal*

Two legislative initiatives of the Fit for 55 (FFFF) Package (July, 2021):

Revision of the Energy Taxation Directive (DG TAXUD)

Carbon Border Adjustment Mechanism (DG TAXUD)

Fairness aspects of the Green Deal

Support to the IAs based on EUROMOD-ITT for 18 countries

Link EUROMOD to JRC GEM-E3 model (joint work with JRC.C6) to analyze distributional impacts of several policy scenarios

Key messages:

- Green taxes are generally regressive, but properly designed compensation mechanisms (eg lump sum transfers) can reverse the regressive effect

ii. Thematic studies: main policy uses

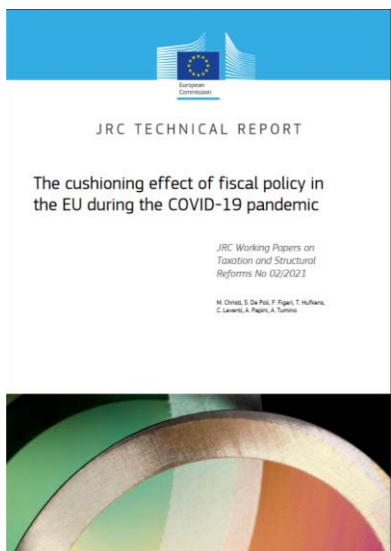
COVID-19: impact on household incomes of the crisis and of fiscal policy (notably, short term work schemes) - used in:

European Commission assessments of national Recovery and Resilience Plans (JRC work cited in 16 SWD on RRP to date)

Employment and Social Developments in Europe (ESDE Report, DG EMPL, July 2021)

Joint Employment Report (March 2021)

Quarterly Report on the Euro area (QREA, DG ECFIN, forthcoming)



Key messages:

- Significant cushioning effect of fiscal policy to protect HH incomes
- Discretionary policy measures expected to contain the regressive effects of the recession, eg wage compensation schemes

Future of taxation in changing labour markets (incl. Cedefop skill projections)

- Fiscal and distributional consequences of LM trends (tech change, ageing...)
- 2021 Annual Report on Taxation (DG TAXUD, May 2021)

Key message:

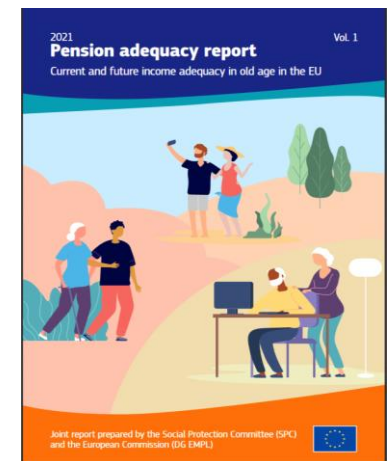
- Tax-benefit systems of most EU MS are well equipped to cope with the demographic and technological challenges, although specific concerns exist for some countries.

Tax treatment of old-age pension contributions and benefits

- From current systems to EE - TT alternative scenarios
- 2021 Pension Adequacy Report: current and future income adequacy in old age in the EU (SPC and DG EMPL, June 2021)

Key messages:

- Significant resources collected through the taxation of pension contributions and benefits in MS
- Current taxation policies contribute to limiting inequalities among pensioners



Projecting the net fiscal impact of immigration in the EU

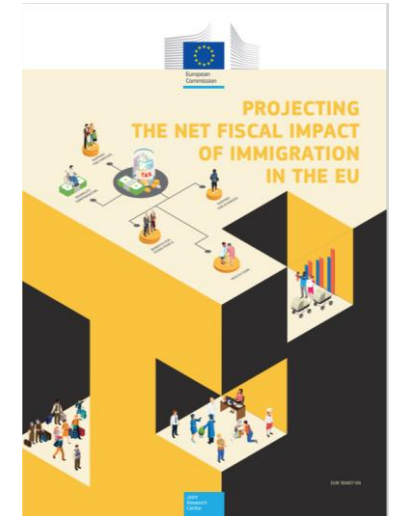
JRC Science for Policy Report (Nov, 2020)

COM 'Action Plan on Integration and Inclusion'

Joint work with JRC.E6 and IIASA

Key message:

- Currently natives generally show a higher net fiscal contribution than extra-EU migrants and a similar contribution to intra-EU migrants. However, due to ageing of the native population, this relationship is bound to reverse in the near future.



Automatic stabilization of tax-benefit systems

Income stabilization coefficient (ISC, 2010-2019 for all MS)

Resilience dashboards & Strategic Foresight Report (JRC & SG, July/September 2021)

Key message:

- Euromod-based indicator on automatic stabilisation properties of tax-benefit system of each country and over time is an important indicator to monitor a country's resilience to economic shocks



iii. Country-specific analyses

European Semester (temporarily adapted to coordinate it with the RRF) - ex. of analyses provided to policy DGs:

Croatia: changes to guaranteed minimum benefit

Cyprus: changes to children benefit

Estonia: changes in unemployment insurance

Greece: reduction of social security contributions

Malta: impact of fiscal policies in response to COVID-19 crisis

Romania: budgetary and employment impacts of the Minimum Inclusion Income reform

Spain: analyses of minimum income scheme + family support



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Thank you

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